



# state senator **Luke Kenley**

2005 LEGISLATIVE UPDATE

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# state senator **LUKE KENLEY**

serving district 20

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## The State Budget: Holding the Line on Spending

### LEGISLATURE PASSES FIRST BALANCED BUDGET IN 10 YEARS

The Indiana General Assembly has passed a balanced two-year state budget that holds the line on spending, eliminates the structural deficit, adds no new state taxes, provides \$4 billion in property tax replacement credits and adds \$112.4 million to K-12 education.

Senate Republicans voted to control state spending while boosting funding for K-12 education, scholarships for higher education and child protection. Medicaid funding is held to a 5 percent increase. This is in contrast to the 10 percent growth experienced during the current biennium.

The passage of this budget bill is quite an accomplishment. To overcome a \$600 million structural deficit and end up with reserves – all without new state taxes – is no small feat.

Education funding remained a top priority by the Senate Republicans. The school funding formula is driven by an innovative approach that funds children as individuals instead of simply funding corporations. Special factors are taken into consideration, such as poverty, single parent families and free lunches, when determining the level of funding that is to follow a child.

The General Assembly continually has increased education spending in past years, even when other states were cutting education. In 2003, Indiana had the highest increase of K-12 funding in the country –

during a national recession. The new budget gives more money and adds funding options to Indiana public schools than has ever been given in the history of the state.

Additionally, the state is distributing to local governments \$4 billion in property tax replacement credits (PTRC), in an effort to provide relief to homeowners and other property tax payers. Local governments and schools keep 99.9 percent of all property taxes, which are levied by local governments and schools. Half of all revenue raised by the state sales tax is used for PTRC, as is 14 percent of the income tax and nearly a half billion dollars every year from the wagering tax.

Earlier in the session, Senate Republicans voted to pass a measure to reform the property tax system by giving local governments an option to shift the property tax burden to an income tax in order to be more fair and equitable to Hoosiers. The initiative was successful in the Senate but failed to receive consideration in the House of Representatives when the bill met substantial opposition from local government officials.

The new budget is a prescription for positive change in Indiana. It is the first balanced budget crafted by legislators in 10 years. I strongly support efforts to keep spending down while providing adequate funding for essential services.



**Kenley watches Paul J. Murphy speak after honoring the crew of the USS Indianapolis, which sank 60 years ago.**

## GENERAL ASSEMBLY PROTECTS INTEGRITY OF ELECTIONS

Voting in a fair and credible election is at the heart of American citizenship. It is the Legislature's responsibility to adopt policies that protect our representative democracy by ensuring each vote cast is valid and legal.



**Sen. Kenley visits with two Senate pages.**

A group of Senate bills were introduced this year to update outmoded election laws, reinforce the integrity of voting absentee and strengthen voters' rights

at the polls by ensuring their votes are secure. Of all the reform initiatives, none may be as critical as Senate Bill 483.

SB 483 requires citizens to show government-issued photo identification at the polls before voting. Photo IDs are required for many commonplace circumstances that Americans face every day, like renting a video or obtaining a library card. It only makes sense that a photo ID be required for something as important as voting.

In fact, many voters are surprised to learn they are not currently required to show some form of identification at the polls.

Years ago, poll workers knew the people in their precinct and had no reason to question someone's identity. Now, it is increasingly common for Election Day volunteers to live in another town or city than the one in which they are serving. The voter ID bill gives poll workers a tool to verify a person's identity.

Considering recent nationwide voting problems, and some within Indiana, this is a common-sense step to help prevent fraud. [continued on page 2](#)

## FACTS & FIGURES

### FROM THE 2005 LEGISLATIVE SESSION

The First Regular Session of the 114th General Assembly began on Organization Day, November 16, 2004, and adjourned April 29, 2005.

This budget year was known as the "long" session.

Senate bills introduced: 647  
Senate joint resolutions introduced: 10

Senate bills passed: 163  
Senate joint resolutions passed: 1

House bills introduced: 859  
House joint resolutions introduced: 18

House bills passed: 85  
House joint resolutions passed: 1

Percent of introduced bills that were sent to the governor: 17%

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## VOTER ID BENEFITS OUTWEIGH PROBLEMS

continued from page 1

Objections to requiring a photo ID stem from a concern that some voters cannot afford the \$9 fee needed to purchase a state ID card. The Bureau of Motor Vehicles has agreed to grant photo IDs free of charge to those who cannot pay. Residents of state-licensed nursing homes are exempt from showing identification if the polling place is located inside the facility in which they live. The bill also protects the rights of those who have a religious objection to being photographed.

Voters who show up at the polls without identification will be able to fill out a provisional ballot.

In 2003, the BMV issued 5.6 million driver licenses and 1.4 million state ID cards. With the state's adult population being just over 4.5 million in 2000, it's hard to imagine this legislation having an adverse effect on the vast majority of Hoosiers. The voter ID initiative has been supported publicly by Secretary of State Todd Rokita, Indiana's chief election officer.

This simple change in the rules will inspire more confidence in the election process and in our state government. Legislators want to protect voters' rights and assure that every vote is counted fairly and equally.

## Clean Energy Acts

### Bills encourage production and use of biofuels

Two significant clean energy initiatives have passed the Indiana General Assembly and have become law.

House Enrolled Act 1032 requires state government to fuel state vehicles with agriculture-based fuels, such as biodiesel, ethanol, or gasohol, whenever possible. Biodiesel is a clean burning alternative fuel, produced from domestic, renewable resources, such as soybeans. Biodiesel contains no petroleum, but it can be blended at any level with petroleum diesel. This helps improve air quality and our economy by taking advantage of resources from right here in Indiana.

Senate Enrolled Act 378 expands the tax incentives passed during the 2003 legislative session on the production and use of Indiana soy diesel and ethanol fuels. It provides additional incentives for clean coal gasification plants. This bill covers all facets of processing - from soybean crushers to oil refineries to the service stations that will supply the fuel - while growing the demand for agricultural commodities and increasing farmers' profits.

SEA 378 provides an additional \$5 million for bio-diesel production, which will be divided into \$1 million sections for the refineries, wholesale, blenders, and service stations that

carry the fuel. The bill also expands the tax credit from \$10 million to \$20 million for large ethanol and soy diesel production plants. This will provide a great opportunity for both soy diesel and ethanol plants.

Additionally, SEA 378 provides tax credits for companies who build and operate integrated coal gasification power plants in Indiana. Coal gasification is the process of using Indiana's high sulfur-coal and transforming it into clean burning energy.

Currently, over half of the coal used to generate electricity is imported into Indiana. If Indiana coal were to replace imported coal, it would add \$1.35 billion and 18,000 jobs to our state's economy.

With rising gas prices and pollution issues, this alternative source of energy has great potential. This fuel is cheaper and better for our environment. Also, the economic possibilities of using and producing alternative energy here in Indiana are fantastic.

These measures are great achievements for our environment and our economy. I hope that we can take full advantage of these alternative sources of energy and make Indiana a leader on this issue.



Kenley and his 2005 intern, Brian Perry.

## Daylight-saving Time Has Moment in the Sun

The issue of Daylight-saving Time has been one of the most contentious issues in the General Assembly this session. The question of whether or not to observe DST sparked emotional debate across the state, but the bill ultimately passed both the House and the Senate.

Indiana is one of only three states that do not observe DST. Because of this, counties in our state operate on three different time zones, which can be confusing to those who are visiting or doing business in our state.

Currently, 77 of the 82 Indiana counties which lie in the Eastern Time zone do not observe DST. Five of these counties, which border Louisville, Ky. and Cincinnati, unofficially observe Eastern DST. Ten Indiana Counties lie in the Central Time Zone-five in the northwest region and five in the southwest.

The battle over time is not new to Indiana. In 1946, a law was passed requiring the entire state to observe Central Standard Time (CST).

The 1961 General Assembly repealed that law, thus adopting Eastern Standard Time (EST).

The U.S. Uniform Time Act of 1966 required Indiana to observe DST in the Eastern Time Zone. In 1969, a bill exempting Indiana from DST passed the legislature but was vetoed by then Governor Edgar D. Whitcomb. That veto was eventually overridden by the 1971 General Assembly, leaving Indiana with the three time zones we now have.

Hoosiers are evenly split on the issue of DST, which has made for a very interesting debate this year. Daylight-saving Time made its first appearance this session in two House bills, 1034 and 1088.

Both bills were killed when House Democrats walked out, leaving the General



Sen. Kenley looks on as 2004 Indiana Teacher of the Year Mark Weaver addresses the Senate.

Assembly with no Daylight-saving Time bill. After much debate, members of the House removed the original language from Senate Bill 127, a speed limit bill, and inserted the repeal which would require all 92 counties of Indiana to observe DST.

The U.S. Department of Transportation has been petitioned and soon will begin the process of deciding the time zone boundaries in Indiana. It will be a contentious process, but I trust that the conclusion that works best for Indiana's economic future will be found.

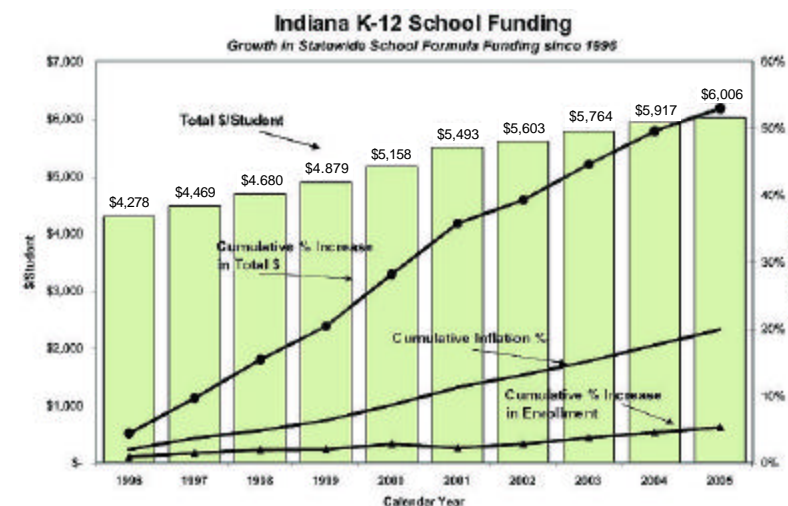
## Making dollars & sense of SCHOOL FUNDING

Indiana has had a long history of strong financial support for education, spanning several administrations. In 2003, during a national recession, our state had the highest increase of K-12 funding in the country. Funding for public education is our top priority and by far the largest part of our state budget.

Indiana ranks 17<sup>th</sup> in the nation for per pupil spending and 16<sup>th</sup> in average teacher salaries; 10<sup>th</sup> highest with cost of living adjustments. In the 2003 budget session, we provided a total formula dollar increase of 1.6 percent for 2004 and 1.7 percent for 2005. With Capital Project Fund Transfers included, the total formula increases were 3.3 percent and 2.9 percent. From 1993 to 2003, K-12 spending grew 69.3 percent. Compare that to a growth in K-12 enrollment of only 4.2 percent. During the same period, all-in spending (including federal dollars) increased from \$5.4 billion to \$9.3 billion.

The explosion in school spending was due in part to an antiquated method of funding education. For many years, the Legislature has funded school districts on the basis of a "minimum guarantee." The guarantee is intended to cover a district's fixed costs, but the result is that children are treated unequally, and costs are soaring.

Some corporations have lost 30 percent of their enrollment in the last six years but have seen their funding per child increase by as much as 75 percent. Meanwhile, corporations with growing enrollments currently are receiving less than full funding for each new enrollee. The minimum



## Kenley Will Serve on Interim Study Panels

During the interim, I have been appointed to six interim study panels.

I will serve this year as chairman of the Commission on State Tax and Financing Policy, which studies the state, county and city tax structures for the effects on Indiana's economy. It also has been charged with studying the fiscal impact of federal mandates on local schools.

Additionally, I will chair the Environmental Crimes Task Force.

I also have been chosen to serve on the

Administrative Rules Oversight Committee, the Code Revision Commission, the Simplified State Sales Tax Administration Delegation and the Medicaid Advisory Committee.

The Administrative Rules Oversight Committee (AROC) is charged with handling any citizen complaints concerning agency rules or practices, violations by agencies that do not meet the time frame in which they must adopt rules and proposed agency rules that have a fiscal impact of \$500,000 or more. The committee also may recommend legislation to

correct an agency practice or regulation that represents a misapplication of Indiana law.

The Medicaid Advisory Committee acts in advisory capacity to the Office of Medicaid Planning and Policy and the Children's Health Policy Board.

The Code Revision Commission assists with supervising the compilation of the Indiana Code and the publication of the Indiana Register. Members assist in developing and revising the standards, techniques and formats used in preparing legislation.



Senator Kenley participates in a news conference with House Ways and Means Chairman Jeff Espich. Kenley, Senate Tax and Fiscal Policy Chairman, worked with Espich on many issues this year, including the budget and school funding formula.

guarantee has shifted our focus from children to corporations and fails to maximize the use of dollars where they are needed — with the children.

In lieu of this old-fashioned method, I led the way in creating a standard amount of funding for every child while allocating additional money for children who have multiple needs. If a school corporation grows and adds children, that basic level of funding should be provided for each additional child. Our focus needs to be on the approximately one million children we are funding, rather than on corporations.

The Senate's school funding plan recognizes that every child deserves a foundation of funding. The formula first determines an amount needed for the "basic" education of each child. Additional funding is disbursed based on other needs and achievements.

Hoosiers express concern about education performance and the "brain drain" problem. In a time when the state must utilize a limited amount of money, it is imperative that we pinpoint every dollar toward the individual child to achieve maximum efficiency. If the citizens of Indiana want to fund public education successfully, we must focus on our greatest investment: the well-educated child.

In recent budget years, the state has increased education funding significantly. We now have a \$600 million structural deficit that must be eliminated. Our state's financial problems are difficult for many Hoosiers to accept, but we believe they will be temporary. In the meantime, the Senate just proposed a generous overall increase to education funding, in addition to a more equitable formula. As our fiscal condition improves, we can look forward to a continuation of the General Assembly's commitment to education.

